

# **EXHIBIT 1**

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# BUSINESS SAI INSIDER

## At Last -- The Full Story Of How Facebook Was Founded

Nicholas Carlson | Mar. 5, 2010, 4:10 AM | 1,888,967 | 242

1 The origins of Facebook have been in dispute since the very week a  
 year 19-year-old Mark Zuckerberg launched the site as a Harvard  
 sophomore on February 4, 2004.

Then called "thefacebook.com," the site was an instant hit. Now, six years later, the site has become one of the biggest web sites in the world, visited by 400 million people a month.

The controversy surrounding Facebook began quickly. A week after he launched the site in 2004, Mark was accused by three Harvard seniors of having stolen the idea from them.

This allegation soon bloomed into a full-fledged lawsuit, as a competing company founded by the Harvard seniors sued Mark and Facebook for theft and fraud, starting a legal odyssey that continues to this day.

New information uncovered by *Silicon Alley Insider* suggests that some of the complaints against Mark Zuckerberg are valid. It also suggests that, on at least one occasion in 2004, Mark used private login data taken from Facebook's servers to break into Facebook members' private email accounts and read their emails--at best, a gross misuse of private information. Lastly, it suggests that Mark hacked into the competing company's systems and changed some user information with the aim of making the site less useful.

The primary dispute around Facebook's origins centered around whether Mark had entered into an "agreement" with the Harvard seniors, Cameron and Tyler Winklevoss and a classmate named Divya Narendra, to develop a similar web site for them -- and then, instead, stalled their project while taking their idea and building his own.

The litigation never went particularly well for the Winklevosses.

In 2007, Massachusetts Judge Douglas P. Woodlock called their allegations "tissue thin." Referring to the agreement that Mark had allegedly breached, Woodlock also wrote, "Dorm room chit-chat does not make a contract." A year later, the end finally seemed in sight: a judge ruled against Facebook's move to dismiss the case. Shortly thereafter, the parties agreed to settle.

But then, a twist.

After Facebook announced the settlement, but before the settlement was finalized, lawyers for the Winklevosses suggested that the hard drive from Mark Zuckerberg's computer at Harvard might contain evidence of Mark's fraud. Specifically, they suggested that the hard drive included some damning instant messages and emails.

The judge in the case refused to look at the hard drive and instead deferred to another judge who went on to approve the settlement. But, naturally, the possibility that the hard drive contained additional evidence set inquiring minds wondering what those emails and IMs revealed. Specifically, it set inquiring minds wondering again whether Mark had, in fact, stolen the Winklevoss's idea, screwed them over, and then ridden off into the sunset with Facebook.

Unfortunately, since the contents of Mark's hard drive had not been made public, no one had the answers.

But now we have some.



Image: deneykern

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Over the past two years, we have interviewed more than a dozen sources familiar with aspects of this story – including people involved in the founding year of the company. We have also reviewed what we believe to be some relevant IMs and emails from the period. Much of this information has never before been made public. None of it has been confirmed or authenticated by Mark or the company.

Based on the information we obtained, we have what we believe is a more complete picture of how Facebook was founded. This account follows.

And what does this more complete story reveal?

We'll offer our own conclusions at the end. But first, here's the story:

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"We can talk about that after I get all the basic functionality up tomorrow night."

In the fall of 2003, Harvard seniors Cameron Winklevoss, Tyler Winklevoss, and Divya Narendra were on the lookout for a web developer who could bring to life an idea the three say Divya first had in 2002: a social network for Harvard students and alumni. The site was to be called HarvardConnections.com.

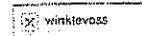
The three had been paying Victor Gao, another Harvard student, to do coding for the site, but at the beginning of the fall term Victor begged off the project. Victor suggested his own replacement: Mark Zuckerberg, a Harvard sophomore from Dobbs Ferry, New York.

Back then, Mark was known at Harvard as the sophomore who had built Facemash, a "Hot Or Not" clone for Harvard. Facemash had already made Mark a bit of a celebrity on campus, for two reasons.

The first is that Mark got in trouble for creating it. The way the site worked was that it pulled photos of Harvard students off of Harvard's Web sites. It rearranged these photos so that when people visited Facemash.com they would see pictures of two Harvard students and be asked to vote on which was more attractive. The site also maintained a list of Harvard students, ranked by attractiveness.

On Harvard's politically correct campus, this upset people, and Mark was soon hauled in front of Harvard's disciplinary board for students. According to a November 19, 2003 *Harvard Crimson* article, he was charged with breaching security, violating copyrights, and violating individual privacy. Happily for Mark, the article reports that he wasn't expelled.

The second reason everyone at Harvard knew about Facemash and Mark Zuckerberg was that Facemash had been an instant hit. The same *Harvard Crimson* story reports that after two weeks, "the site had been visited by 450 people, who voted at least 22,000 times." That means the average visitor voted 48 times.



It was for this ability to build a wildly popular site that Victor Gao first recommended Mark to Cameron, Tyler, and Divya. Sold on Mark, the Harvard Connection trio reached out to him. Mark agreed to meet.

They first met in an early evening in late November in the dining hall of Harvard College's Kirkland House. Cameron, Tyler, and Divya brought up their idea for Harvard Connection, and described their plans to A) build the site for Harvard students only, by requiring new users to register with Harvard.edu email addresses, and B) expand Harvard Connection beyond Harvard to schools around the country. Mark reportedly showed enthusiastic interest in the project.

Later that night, Mark wrote an email to the Winklevoss brothers and Divya: "I read over all the stuff you sent and it seems like it shouldn't take too long to implement, so we can talk about that after I get all the basic functionality up tomorrow night."

The next day, on December 1, Mark sent another email to the HarvardConnections team. Part of it read, "I put together one of the two registration pages so I have everything working on my system now. I'll keep you posted as I patch stuff up and it starts to become completely functional."

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These two emails sounded like the words of someone who was eager to be a part of the team and working away on the project. A few days later, however, Mark's emails to the HarvardConnection team started to change in tone. Specifically, they went from someone who seemed to be hard at work building the product to someone who was so busy with schoolwork that he had no time to do any coding at all.

December 4: "Sorry I was unreachable tonight. I just got about three of your missed calls. I was working on a problem set."

December 10: "The week has been pretty busy thus far, so I haven't gotten a chance to do much work on the site or even think about it really, so I think it's probably best to postpone meeting until we have more to discuss. I'm also really busy tomorrow so I don't think I'd be able to meet then anyway."

A week later: "Sorry I have not been reachable for the past few days. I've basically been in the lab the whole time working on a cs problem set which I'm still not finished with."

Finally, on January 8:

Sorry it's taken a while for me to get back to you. I'm completely swamped with work this week. I have three programming projects and a final paper due by Monday, as well as a couple of problem sets due Friday. I'll be available to discuss the site again starting Tuesday.

I'm still a little skeptical that we have enough functionality in the site to really draw the attention and gain the critical mass necessary to get a site like this to run...Anyhow, we'll talk about it once I get everything else done.

So what happened to change Mark's tune about HarvardConnection? Was he so swamped with work that he was unable to finish the project? Or, as the HarvardConnection founders have alleged, was he stalling the development of HarvardConnection so that he could build a competing site and launch it first?

Our investigation suggests the latter.

As a part of the lawsuit against Facebook and Mark Zuckerberg, the above emails from Mark have been public for years. What has never been revealed publicly is what Mark was telling his friends, parents, and closest confidants at the same time.

Let's start with a December 7th (IM) exchange Mark Zuckerberg had with his Harvard classmate and Facebook cofounder, Eduardo Saverin.

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**"They made a mistake haha. They asked me to make it for them."**

Former PayPal CEO Peter Thiel gets a lot of credit for being the first investor in Facebook, because he led the first formal Facebook round in September of 2004 with a \$500,000 investment at a \$5 million valuation. But the real "first investor" claim to fame should actually belong to a Harvard classmate of Mark Zuckerberg's named Eduardo Saverin.

To picture Eduardo, what you need to know is that he was the kid at Harvard who would wear a suit to class. He liked to give people the impression that he was rich -- and maybe somehow connected to the Brazilian mafia. At one point, in an IM exchange, Mark told a friend that Eduardo -- "head of the investment society" -- was rich because "apparently insider trading isn't illegal in Brazil."

Eduardo Saverin wasn't directly involved with Facebook for long: During the summer of 2004, when Mark moved to Palo Alto to work on Facebook full time, Eduardo took a high-paying internship at Lehman Brothers in New York. While Mark was still at Harvard, however, Eduardo appears to have bankrolled Facebook's earliest capital expenses, thus becoming its initial investor.

In January, however, Mark told a friend that "Eduardo is paying for my servers." Eventually, Eduardo would agree to

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invest \$15,000 in a company that would, in April 2004, be formed as Facebook LLC. For his money, Eduardo would get 30% of the company.

Eduardo was also involved in Facebook's earliest days, as a confidant of Mark Zuckerberg.

In December, 2003, a week after Mark's first meeting with the HarvardConnection team, when he was telling the Winklevosses that he was too busy with schoolwork to work on or even think about HarvardConnection.com, Mark was telling Eduardo a different story. On December 7, 2003, we believe Mark sent Eduardo the following IM:

Check this site out: [www.harvardconnection.com](http://www.harvardconnection.com) and then go to [harvardconnection.com/datehome.php](http://harvardconnection.com/datehome.php). Someone is already trying to make a dating site. But they made a mistake haha. They asked me to make it for them. So I'm like delaying it so it won't be ready until after the facebook thing comes out.

This IM suggests that, within a week of meeting with the Winklevosses for the first time, Mark had already decided to start his own, similar project--"the facebook thing." It also suggests that he had developed a strategy for dealing with his would-be competition: Delay developing it.

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"I feel like the right thing to do is finish the facebook and wait until the last day before I'm supposed to have their thing ready and then be like look yours isn't as good"

A few weeks after the initial meeting with the HarvardConnection team, after Mark sent the IM to Eduardo Saverin talking about developing "the facebook thing" and delaying his development of HarvardConnection, Mark met with the HarvardConnection folks, Cameron, Tyler, and Divya, for a second time.

This time, instead of meeting in the dining hall of Mark's residential hall, Kirkland House, the four met in Mark's dorm room. Divya is said to have arrived late.

In Kirkland House, the dorm rooms aren't laid out in cinder-block-cube style: Mark's room had a narrow hallway connecting it to his neighbor's. As Cameron and Tyler sat down on a couch in Mark's room, Cameron spotted something in the hallway. On top of a bookshelf there was a white board. It was the kind Web developers and product managers everywhere use to map out their ideas.

On it, Cameron read two words, "Harvard Connection." He got up to go look at it. Immediately, Mark asked Cameron to stay out of the hallway.

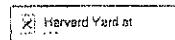
Eventually Divya arrived and the four of them talked about plans for Harvard Connection. One feature Mark brought up was designed to keep more popular and sought-after Harvard Connection users from being stalked and harassed by crowds of people.

In this second meeting, Mark still appeared to be actively engaged in developing Harvard Connection. But he never showed the HarvardConnection folks any site prototypes or code. And they didn't insist on seeing them.

During the weeks in which Mark was juggling the two projects in tandem, he also had a series of IM exchanges with a friend named Adam D'Angelo (above).

Adam and Mark went to boarding school together at Phillips Exeter Academy. There, the pair became friends and coding partners. Together they built a program called Synapse, a music player that supposedly learned the listener's taste and then adapted to it. Then, in 2002 Mark went to Harvard and Adam went to Cal Tech. But the pair stayed in close touch, especially through AOL instant messenger. Eventually, Adam became Facebook's CTO.

Through the Harvard Connection-Facebook saga and its aftermath, Mark kept Adam apprised of his plans and thoughts.



One purported IM exchange seems particularly relevant on the question of how Mark distinguished between the two projects--the "facebook thing" and "the dating site"--as well as how he was considering handling the latter:

Zuck: So you know how I'm making that dating site

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Zuck: I wonder how similar that is to the Facebook thing

Zuck: Because they're probably going to be released around the same time

Zuck: Unless I fuck the dating site people over and quit on them right before I told them I'd have it done.

D'Angelo: haha

Zuck: Like I don't think people would sign up for the facebook thing if they knew it was for dating

Zuck: and I think people are skeptical about joining dating things too.

Zuck: But the guy doing the dating thing is going to promote it pretty well.

Zuck: I wonder what the ideal solution is.

Zuck: I think the Facebook thing by itself would draw many people, unless it were released at the same time as the dating thing.

Zuck: In which case both things would cancel each other out and nothing would win. Any ideas? Like is there a good way to consolidate the two.

D'Angelo: We could make it into a whole network like a friendster, haha. Stanford has something like that internally.

Zuck: Well I was thinking of doing that for the facebook. The only thing that's different about theirs is that you like request dates with people or connections with the facebook you don't do that via the system.

D'Angelo: Yeah

Zuck: I also hate the fact that I'm doing it for other people haha. Like I hate working under other people. I feel like the right thing to do is finish the facebook and wait until the last day before I'm supposed to have their thing ready and then be like "look yours isn't as good as this so if you want to join mine you can...otherwise I can help you with yours later." Or do you think that's too dick?

D'Angelo: I think you should just ditch them

Zuck: The thing is they have a programmer who could finish their thing and they have money to pour into advertising and stuff. Oh wait I have money too. My friend who wants to sponsor this is head of the investment society. Apparently insider trading isn't illegal in Brazil so he's rich lol.

D'Angelo: lol

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"I'm going to fuck them."

Eduardo Saverin and Adam D'Angelo were not the only people Mark discussed his Harvard Connection - Facebook situation with. We believe he also had many IM exchanges about it with relatives and a close female Harvard friend.

In January 2004, Mark met with the Winklevoss brothers and Divya Narendra for what would be the last time. The meeting was on January 14, 2004, and it was held at the same place Mark met with the HarvardConnection team for the first time -- in the dining hall of Mark's residence, Kirkland House.

By this point, Mark's site, thefacebook.com, wasn't complete, but he was working hard on it. He'd arranged for Eduardo Saverin to pay for his servers. He had already told Adam that "the right thing to do" was to not complete Harvard Connection and build TheFacebook.com instead. He had registered the domain name.

He therefore had a choice to make: Tell Cameron, Tyler and Divya that he wanted out of their project, or string them along until he was ready to launch thefacebook.com.

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Mark sought advice on this decision from his confidants. One friend told him, in so many words, you know me. I don't ever think anyone should do anything bad to anybody.

Mark and this friend also had the following IM exchange about how Mark planned to resolve the competing projects:

Friend: So have you decided what you're going to do about the websites?

Zuck: Yeah, I'm going to fuck them

Zuck: Probably in the year

Zuck: \*ear

And so, it appears, he did. (In a manner of speaking).

On January 14, 2004, Mark Zuckerberg met with Cameron, Tyler, and Divya for the last time. During the meeting at Kirkland House, Mark expressed doubts about the viability of HarvardConnection.com. He said he was very busy with personal projects and school work and that he wouldn't be able to work on the site for a while. He blamed others for the site's delays.

He did not say that he was working on his own project and that he was not planning to complete the HarvardConnection site.

After the meeting, Mark had another IM exchange with the friend above. He told her, in effect, that he had wimped out. He hadn't been able to break the news to Cameron and Tyler, in part, he said, because he was "intimidated" by them. He called them "poor bastards."

So then what happened?

Three days earlier, on January 11, 2004, Mark had registered the domain THEFACEBOOK.COM.

On February 4, he opened the site to Harvard students.

On February 10, Cameron Winklevoss sent Mark a letter accusing him of breaching their agreement and stealing their idea.

In late May, after going through two more developers, Cameron, Tyler and Divya launched HarvardConnection as ConnectU, a social network for 15 schools.

On June 10, 2004, a commencement speaker mentioned the amazing popularity of Mark's site, thefacebook.com.

In the summer of 2004, Mark moved to Palo Alto to work on Facebook full time and soon received a \$500,000 investment from Peter Thiel.

In September 2004, HarvardConnection, now called ConnectU, sued Mark Zuckerberg and the now-incorporated "Facebook" for allegedly breaching their agreement and stealing their idea.

In February 2008, Facebook and ConnectU agreed to settle the lawsuit.

In June 2008, ConnectU appealed the settlement in California's ninth district, accusing Facebook of trading its stock without disclosing material information. This appeal is on-going.

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#### The \$65 million question

When we described the specifics of this story to Facebook, the company had the following comment:

"We're not going to debate the disgruntled litigants and anonymous sources who seek to rewrite Facebook's early history or embarrass Mark Zuckerberg with dated allegations. The unquestioned fact is that since leaving

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 Harvard for Silicon Valley nearly six years ago, Mark has led Facebook's growth from a college website to a global service playing an important role in the lives of over 400 million people."

On the latter point, we agree. What Mark Zuckerberg has accomplished with Facebook over the past six years has been nothing short of amazing.

So, having revisited the founding of Facebook with additional information, what do we conclude?

First, we have seen no evidence of any formal contract between Mark Zuckerberg and the Winklevosses in which Mark agreed to develop Harvard Connection.

Second, any agreement the parties may have had--as well as most of the purported IMs and emails we have reviewed from the period--appear to have been at the level of, as Judge Ware described them, "dorm-room chit-chat." (Albeit interesting and entertaining chit-chat.)

Third, only a week after beginning development of Harvard Connection, which he referred to as "the dating site," Mark had begun work on a separate project -- "the facebook thing." Mark appears to have considered the products as competing for the attention of the same users, but he also appears to have regarded them as different in some key ways.

Fourth -- and because of this foreseen competition -- Mark does appear to have intentionally strung along the Harvard Connection folks with the goal of making his project, thefacebook.com, have a more successful launch.

Bottom line, we haven't seen anything that makes us think that, whatever Mark did to the Harvard Connection folks, it was worth more than the \$65 million they received in the lawsuit settlement. In fact, this seems like a huge sum of money considering that the entire dispute took place over two months in 2004 and that, in the six years since, Mark has built Facebook into a massive global enterprise.

That said, in the course of our investigation, we also uncovered two additional anecdotes about Mark's behavior in Facebook's early days that are more troubling. These episodes -- an apparent hacking into the email accounts of Harvard Crimson editors using data obtained from Facebook logins, as well as a later hacking into ConnectU -- are described in detail here.

[How Mark Zuckerberg Hacked The Harvard Crimson Using Data From TheFacebook.com](#)

[How Mark Zuckerberg Hacked Into Rival ConnectU In The Summer Of 2004](#)

[Don't Miss: Our Exclusive Interview With Mark Zuckerberg \(Before The Social Network, When He Was Almost Famous\)](#)

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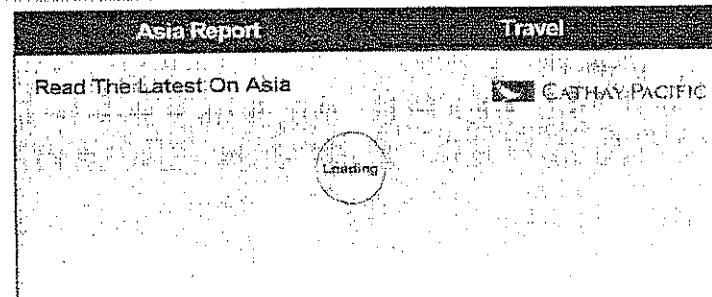
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